

METHOD AND APPARATUS FOR TAX
EFFICIENT INVESTMENT MANAGEMENT

ABSTRACT OF THE DISCLOSURE

5 A method and apparatus for automatically managing
investment portfolios is disclosed which substantially
tracks a selected index and automatically harvests tax
losses. The system includes an accounting system for
maintaining tax lot information for individual
10 accounts, an optimization system for rebalancing each
account to substantially model the index and for
harvesting tax losses, and a trading system for
executing trades. Each investor owns the securities
in his/her account, and therefore, harvested losses
15 can be used to offset capital gains. Securities sold
to harvest tax losses are repurchased at a later time
selected to avoid application of the Internal Revenue
Service wash sale rules, with exchange traded funds
(ETF's) from the same technological sector as the
20 securities being sold to harvest tax losses being used
as temporary replacement securities for the
portfolios.

1051893-011802